THE WHITE HOUSE

Office of the Press Secretary

INTERVIEW OF THE PRESIDENT BY
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August 6, 1982

Q: The first question is, Mr. President, with all that's happening, how do you see the future, especially how do you see the future of the Palestinians? We know what your policy is regarding the PLO, but the Palestinian people is something else. So how do you see their future? What hopes do you have?

THE PRESIDENT: I think their problem, of course, has to be resolved. My own view is that there hasn't been any effort to really find out what are the precise desires of the Palestinian people. Was it just the PLO that wanted a nation or do the Palestinians; would they, many of them, for example, after all these years, want to remain as inhabitants and citizens of Lebanon once that situation is straightened out?

Are there others who came from other Arab countries who would like to return to those countries?

This all has to be determined; the Palestinians' own desires have got to be a part of the negotiations.

So this is the main problem that we must continue to work on and that is why I'm so impatient to get this present situation settled, to get the PLO out. We're a little more optimistic now. They are at least down to discussing the actual technical problems of the PLO moving.

Now, some of the holdup there is the willingness of Arab countries to take them. Some have indicated that they would -- there's no country that has said that it will take them all. So they would have to be separated.

Then, we need the removal of the other forces, Syrian and Israeli, from Lebanon. And there, also, the very great problem that has to be settled -- the factionalism that about eight years ago divided Lebanon. They must be brought together because each one of those factions has its own militia, which isn't exactly the way to run a country.

Q: But do you still see a chance for a general settlement at some point?

THE PRESIDENT: Yes, I do. Both Egypt and Israel have expressed their willingness -- Egypt particularly, in spite of much of the bitterness that's been raised now in Lebanon with this problem, still determined to go forward. The next step in the Camp David process is the autonomy for the Palestinian people.

Q: Another question. The Europeans have had the feeling since the early days of the conflict that the U.S. was more or less powerless vis-a-vis Israel and there were two interpretations. One, that basically the U.S. and Israel agree as to the objectives and the aims of the Israelis and therefore there is no powerlessness there.

Or, second interpretation, that the U.S. has no leverage on Israel.

THE PRESIDENT: It's been such an ambiguous situation during the fighting. But I have sent some rather firm messages. I know that the press has emphasized the Israeli retaliation at the breaking of the cease-fires. And there's no question of their out-of-proportion retaliation.

But, on the other hand, the PLO has in many, if not most or all instances, violated the cease-fire and then has come the great response of the Israelis and, as I say, out of proportion. I wonder if the PLO has been provoking this.

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One ambiguity of the situation is if Israel uses the weapons that we've provided for offensive purposes, they are violating the agreement. We have questioned them on this and have indicated to them that they may be coming close to this violation.

On the other hand, they crossed the border into Lebanon in response to the artillery and rocket attacks across their border into Israel that took human life and did damage to villages along that border.

So they claim their advance, and with some merit, is defensive.

The original purpose was to advance far enough to prevent an artillery attack from being able to reach the Israeli border. But then they found their forces under attack.

Well, do you stand there and die? And if you retreat, then they again shell over the border. So they advanced further and they advanced all the way to where they are now.

This is what I mean about whether this is a hard-and-fast case of them being on the offense or whether they've been purely defensive.

So, as I say, it is an ambiguous situation, but we have been -- with Ambassador Habib doing what I think is a magnificent job, bringing us ever closer to a solution of this problem. In recent days, particularly, I have made it plain to Israel that their over-reaction to the point that innocent people are suffering and being wounded and killed by their retaliation to the PLO attacks cannot be ignored.

Q: I hope that eventually you settle the problem in Beirut.

THE PRESIDENT: Well, we're cautiously optimistic now.

Q: All along your European tour last June you insisted that, contrary to the disarray in the Atlantic Alliance at the time of the Carter Administration, the relationship between Europe and the U.S. had never been better. Then came the dispute over the gas deal. What is now your judgment on the state of the Alliance?

THE PRESIDENT: I believe the alliance is strong. The fundamental values and shared interests which have always united us are, and will remain, much more important and enduring than the issues over which we differ from time to time. Differences of view are not new within the alliance; they are the hallmark of consultations among free and sovereign states.

The issues which have bothered Europe recently are primarily economic; they do not affect directly the fundamental interests -- in security and related issues -- on which NATO is based. I don't want to underestimate the seriousness of these economic issues; but I do think we will successfully resolve them.

Let's not forget that we made real progress at Versailles and subsequently in a number of important economic areas. We initiated a new process of economic policy coordination, undertook a joint study of the effectiveness of exchange market intervention, agreed to a new OECD export credit arrangement which reduces export credit subsidies -- including those to the Soviet Union -- and narrowed our differences on important North-South issues. Meantime, the allied consensus on security, arms control, and defense is intact; in fact, that consensus was strengthened at the Bonn Summit and has been reaffirmed in our discussions since then.

Q: In this same context how do you assess the relationship between your country and France? Originally it seemed America had no partner more faithful than Socialist France. Because of the gas issue the French Government has returned to its familiar dissenting role in the Alliance. Cheysson is much blunter than his European colleagues when he warns of a looming "divorce" between Washington and Europe. What is your answer to such pessimism?

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THE PRESIDENT: I don't even think we face a trial separation. To be serious, I remain optimistic, and I believe there are sound historic reasons for my optimism. France and America have close bilateral ties that go back to the times of our respective revolutions and we have always been the strongest of allies. Of course, our relations have had their ups and downs. But the U.S. highly values its alliance with France as I value my excellent relationship with President Mitterrand. We've had a number of very useful and productive meetings and just recently I received an exceptionally warm and personal message from him in response to my congratulatory note on the occasion of Bastille Day. With respect to the gas pipeline issue, I agree with Chancellor Schmidt's characterization of this as a "family quarrel". Like family issues, this one can and will be resolved. It is not "grounds for divorce". Close, constructive and private consultations are in order, but we start with the advantage that discussions of our differences build on deep bonds of common interest and values that far transcend isolated problems.

Q: What about this apparent contradiction between your diplomatic objectives? On the one hand you cancel the grain embargo ordered by your predecessor and keep on selling grain to the Soviets. On the other you object to the Europeans building the pipeline.

THE PRESIDENT: U.S. policy toward East-West economic relations seeks to bring economic ties with the East in line with our security objectives. At a time when we face a massive Soviet military buildup, it's inappropriate to encourage increased dependence on the Soviet Union by energy imports or subsidizing credits. New projects like the pipeline have both real and psychological consequences for our current security interests. The pipeline -- built with subsidized credits -- would increase Western Europe's dependence on the East and would add to the Soviet Union's capacity to earn hard currency. By contrast, U.S.-Soviet grain trade poses no security problems. The sale of grain to the Soviet Union does not contribute to Soviet technological capabilities nor does it provide them with a source of much needed hard currency as the pipeline will -- indeed grain sales deplete Soviet foreign exchange.

The main issue regarding the pipeline sanctions, however, is the Poland situation. We imposed sanctions on the Soviet Union in December 1981, not because of these specific security concerns about the pipeline, but because of our desire to advance reconciliation in Poland. These sanctions were not intended to be a sweeping all-inclusive attempt to cut off all trade. Rather, they were meant to make a clear political statement: we rejected Soviet behavior toward Poland and wanted them to reconsider the consequences of their repression in Poland. I did not embargo grain in December 1981 or suspend the existing one year extension of the U.S.-USSR grain agreement. Such an embargo would be ineffective because of grain's availability on the world market. But I did postpone the negotiation of a new long-term agreement with the Soviet Union, and that sanction remains in place. Moreover, I have always made it clear that the sanctions will be reconsidered when there is significant progress toward genuine reconciliation in Poland. Ultimate reconciliation would require an end to martial law, the release of political prisoners, including Lech Walesa, and a resumption of dialogue between Solidarity, the government, and the Church.

Q: Europeans have the impression you've launched an all out offensive against them. Not only regarding this gas contract but also on steel and agricultural exports to the U.S. How do you justify your Administration's policy in this respect?

THE PRESIDENT: All this talk of a "trade war" is simply untrue. It grossly distorts the dimensions of the problem, in much the same way that the term "economic warfare", which some people use to describe U.S. sanctions against the Soviet Union, distorts the facts of our East-West policy. Of course, there are some differences of opinion on trade issues between the United States and Europe. But we are trying to resolve these problems in a mutually acceptable way, using proper legal procedures.

Steel and agriculture are certainly key areas. Our actions on steel have been carried out in strict accordance with U.S. law, and we are currently engaged in intensive discussions with EC Commission negotiators trying to reach agreement on a settlement acceptable to both sides. On agriculture,

(General Agreement on Trade and Tariffs) to try and resolve our differences. There is certainly no intention on our part to disrupt or damage our critically important economic relationship with Europe. It would be foolhardy to do so in any event, given that Western Europe is our leading trading partner and the main buyer of our goods abroad.

Q: Another recurring complaint: You overlook the interests of the Alliance, your economic strategy has consequences (high deficits, high interest rates, high dollar) that only worsen the problems of the West as a whole. What is your reaction to this alleged selfishness on the part of the U.S? Helmut Schmidt argues: the best security for the West is a strong economy.

THE PRESIDENT: I agree with Chancellor Schmidt that strong Western economies are vital to our defense. In fact, my first priority upon entering office was to develop a program for America's economic recovery. The most important thing the U.S. can do to promote Western economic recovery is to lay the groundwork for sustainable, non-inflationary growth. And we are doing just that. But it's going to be a long and difficult process to correct the problems of twenty or more years.

On interest rates we are very sensitive to the problems these cause, both in Europe and in the United States. We don't like them any more than you do. A start has been made towards bringing them down in the U.S. and we'll continue to do so. Just this week the prime rate declined to 15 percent. That's still too high, but certainly is a considerable improvement over the 21 percent my Administration inherited. And inflation is averaging 6 percent annually compared to 12 percent when I took office.

Q: What is your concept of the Alliance? Should NATO be a partnership between true equals or is it rightly so for the U.S. to look as being more equal than the others? Isn't Schmidt contradicting himself when he says the U.S. is laudable when exercising leadership but that giving orders is not acceptable? What is your opinion on Schmidt's views?

THE PRESIDENT: Let's remember: NATO is a partnership of sovereign democratic states founded on the principles of consultation and consensus and designed to achieve one objective -- to deter and defend against Soviet aggression, a task which it has successfully fulfilled for over thirty years. In any voluntary alliance of proud, sovereign nations, whose joint decisions are reached by free consensus and not by the kind of coercion we see inside the Warsaw Pact, there are bound to be disagreements and differing viewpoints. I believe that the United States has played, and will continue to play, a useful, leading role within the Alliance framework of consultations.

My administration is committed to maintaining and improving the process of consultation among us. This is demonstrated by the success of the Bonn Summit and our continuing efforts to add breadth and depth to our allied dialogue on the broad spectrum of issues which challenge us. Naturally, we fully respect the right of our NATO partners to disagree with us, and it is through the process of consultation that we have traditionally resolved such differences. An alliance such as ours can only function on the basis of mutual respect and discussion of our differences. In that sense, I consider Chancellor Schmidt's views a positive contribution to the on-going NATO dialogue.

Q: Are you still worried by the neutralist trend in Europe, especially in Germany?

THE PRESIDENT: Your question reminds me of another and older one: "Are you still beating your wife?" No, I'm not still worried about neutralist trends in Europe -- and never have been -- because I have always had confidence in the overriding partnership which binds us in the pursuit of common security against a common adversary. That partnership is firmly rooted in Western values, a fact that is particularly true of the Federal Republic, whose commitment to our joint defense is substantial and unshakable. While I recognize that a wide range of viewpoints are current among the German public -- as they are among the American public, and indeed the publics of all genuinely democratic societies -- I have no doubt about our Alliance's commitment to defending our values and freedoms.

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Q: What is your opinion of these views held in Europe: Since nuclear defense in case of a Soviet invasion is considered by the pacifists as suicide, why not build up conventional forces? Therefore, why don't you order a return to the draft? Again, doesn't it seem your allies are showing more determination and more coherence than your country by sticking (all of them except Great Britain) to a formula of compulsory military service?

THE PRESIDENT: NATO's successful strategy of nearly 4 decades has been based on the concept of deterrence -- prevention of war by maintaining a sufficiently credible defense so that the cost of any attack would far exceed any potential gain. In view of the nature and size of the Warsaw Pact military threat, this means that NATO's military posture requires both robust conventional forces and a credible nuclear posture in NATO Europe and in our strategic nuclear forces. If NATO maintains the capability to respond effectively to any level of attack, either conventional or nuclear, we can maintain the peace. If we do less, we risk war. Therefore, even as we seek effective arms reductions to equal and verifiable levels, our defense program and those of our allies must be directed toward improving the full spectrum of military capabilities.

Let me add that our program to improve the posture of our conventional force deserves a special mention. Due to past neglect, it's imperative that the United States and our NATO partners work together to repair current deficiencies in our conventional forces. That's precisely what the U.S. defense program is designed to do.

Regarding the All-Volunteer force, the fact is that it is proving itself an unqualified success. Our field commanders are delighted with the quality of their people. . . and they should be. Last year, 80 percent of all enlistees were high school graduates. This year the figures will be even better. There is no doubt that the services are recruiting high quality youth who are proud of their uniform. They're learning their skills, maintaining a good discipline record, and reenlisting in record numbers. The draft is simply not required in today's America.

Q: Is a limited nuclear war in Europe part of your military options?

THE PRESIDENT: Our strategy is oriented toward deterrence . . . period! Maintaining the peace is our strategy. We seek to preserve the security of the North Atlantic area by means of a convincing deterrent posture and through our commitment to seek militarily significant, equitable and verifiable agreements on the control and reduction of those armaments which threaten the security of everyone.

To speak of limited nuclear war as a military option misses the whole point. The Alliance believes that the most effective way to prevent war is to discourage aggression. And we do this by maintaining our joint capability to respond in an appropriate manner to any level of aggression. At the same time, as we have demonstrated through our comprehensive and realistic arms reduction proposals -- including a draft treaty on the table in Geneva for INF, the U.S., with the solid support of our allies, stands second to none in our quest for arms reductions. We are engaged in serious, good-faith talks with the Soviets on reducing strategic and intermediate range nuclear forces as well as on conventional force reductions.

Q: What is your reading of the recent release in Poland of some of the political prisoners? Under what conditions would you be ready to change your attitude toward the Warsaw government?

THE PRESIDENT: We have been consulting with our NATO Allies on the steps announced by the Polish government on July 21. While we welcome the announcement of the release of a number of political prisoners, a large number of them still remain behind bars, and we renew our appeal for their release. The continuation of martial law itself is deplorable. We deeply regret the apparent refusal of the Polish authorities to engage in a dialogue with Solidarity or indeed to acknowledge its right to exist.

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We are in agreement with our allies -- the steps recently announced by the Polish leadership fall considerably short of fulfilling the three criteria set in the Allied declaration of January 11, 1982. There have been some encouraging indications of martial law easing, but by and large the recent moves have been disappointing and there's certainly no cause to celebrate in Poland. We continue to hope that the Polish authorities will realize how dangerous it is for Poland to maintain a state of war between the government and its people and that they will change their course.

Our own policies will continue to be kept under review against this background.

Q: Are you engaged in a crusade against the Soviet Union? Is your true aim the collapse of the communist regime in Moscow or do you only want to make containment work?

THE PRESIDENT: No, the United States is not engaged in a "crusade" against the Soviet Union. The U.S. Government has regularly stated its interest in a more cooperative relationship with the USSR as a means of strengthening international peace and stability. The U.S, however, cannot accept Soviet adventurism -- as seen in Afghanistan and Poland -- and Moscow's unbridled military build-up, and my administration has accordingly adopted policies designed to encourage Soviet restraint.

With regard to domestic affairs, it is our view that the Soviet people themselves must choose the form of government under which they want to live. At the same time, the United States cannot ignore the great violations of human rights which regularly occur in the Soviet Union and other communist states. This administration has made clear to Moscow that these abuses, like irresponsible Soviet behavior in the international arena, represent a serious obstacle to improved U.S.-Soviet relations.

It's important that we in the West not assist the Soviet military buildup through subsidized credits, high technology sales, and other measures which, in effect, enable the Soviet government to defer the hard decisions it must make in allocating its scarce resources.

Q: Thank you, Mr. President.

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